VZCZCXRO1774
RR RUEHC
DE RUEHNJ #1213/01 2790645
ZNR UUUUU ZZH
R 060645Z OCT 06
FM AMEMBASSY NDJAMENA
TO RUEHC/SECSTATE WASHDC 4444
INFO RUEHUJA/AMEMBASSY ABUJA 1303
RUEHDK/AMEMBASSY DAKAR 1206
RUEHLO/AMEMBASSY LONDON 1584
RUEHNM/AMEMBASSY NIAMEY 2843
RUEHFR/AMEMBASSY PARIS 2012
RUEHYD/AMEMBASSY YAOUNDE 1385
RUEHBJ/AMEMBASSY BEIJING 0044
RUEHKL/AMEMBASSY KUALA LUMPUR 0045
RUEHGZ/AMCONSUL GUANGZHOU 0024
RUESLE/AMCONSUL SHANGHAI
RUEHHK/AMCONSUL HONG KONG 0030
RUCPDOC/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 02 NDJAMENA 001213

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR AF, EB, ENERGY FOR CAROLYN GAY AND GEORGE PEARSON,
TREASURY FOR OTA, LONDON AND PARIS FOR AFRICA WATCHERS,
DAKAR FOR FCS REPRESENTATIVE CYNTHIA GRIFFITH GREENE

E.O. 12958: N/A
TAGS: ECON EFIN ENRG EPET PGOV CD
SUBJECT: CHAD:CHEVRON STILL SEEKING A RESOLUTION

¶1. (SBU) SUMMARY: Chevron representatives are currently in N'Djamena, and plan to use high-profile consultant Andrew Young to meet directly with President Deby to resolve the company's tax dispute with the GOC. Chevron still asserts that the tax benefit agreement it negotiated with the GOC is a valid text, and that President Deby was aware of the agreement. Chevron has also pointed out that should Esso continue to lift Chevron's crude, it will eventually max out on the amount of crude oil that Esso is permitted to lift according to intra-consortium agreements. The end result: a possible shut-down in production. END SUMMARY.

- - - - - - - - - - - - - - -
CHEVRON TO MEET DEBY, AGAIN
- - - - - - - - - - - - - - -

¶2. (SBU) On October 3, Chevron representatives coming in from Paris met with Ambassador Wall to discuss the state of play with the GOC over a disputed tax payment. Fred Nelson, managing director for West Africa, led the team, which also consisted of general manager Carole Rock and Margaret Broussard, who was also involved in the negotiation with the 2000 tax benefit agreement with the GOC. Nelson told the Ambassador that Chevron hoped that this trip to N'Djamena would be their last one, as they hoped the company and GOC could come to a resolution. Any delay in a resolution was costing Chevron money and resources, as it was losing out on royalties from crude oil sales and was still required to pay the costs of operating in Chad.

¶3. (SBU) Chevron, according to Nelson, was also bringing in high-profile consultant Andrew Young to come to N'Djamena to speak directly to President Deby on Chevron's behalf. Nelson admitted that their hope that the meeting in Paris between Chevron CEO Dave O'Reilly and President Deby would resolve the matter did not come to fruition. However, President Deby had expressed an interest in meeting Young, and Nelson expressed hoped that the former USUN Ambassador could help Chevron reach a resolution with the GOC.

- -
TAX BENEFIT AGREEMENT IS A VALID TEXT

- -

¶4. (SBU) Nelson said that Chevron believed that the tax benefit agreement with the GOC was still a valid text. He and Broussard pointed out that President Deby was present during the actual negotiations, and was the person who actually agreed to swap the deductions incurred by former consortium partners Elf and Shell for a payment of 25 million to enter the consortium. Deby, according to Broussard, was also the one who proposed that the document not go through the proper legal channels to expedite the process. She noted that Chevron and Petronas were both eager to quickly reach an agreement with the GOC, as Exxon-Mobil had already reached its agreement, and was ready to move forward with production, and the World Bank had reached its agreement with the GOC on the revenue management process. Deby, Broussard states, was strapped for cash, as well, and was extremely receptive to his petroleum minister and finance minister signing off on the text of the agreement.

¶5. (SBU) While Chevron still considers the agreement legitimate, it is willing to accept a compromise. This compromise could possibly consist of a full cancellation of the tax benefit agreement, and paying taxes based on an amortization schedule similar to that of Esso. However, Nelson said that the company would not pay any penalties for a late payment on taxes. If the GOC pushed this issue, Chevron would have to consider more drastic approaches, including arbitration.

- - - - - - - - - - - - - - - - -
A POSSIBLE SHUT-DOWN SCENARIO
- - - - - - - - - - - - - - - - -

¶6. (SBU) Nelson noted that while Esso was currently lifting Chevron's crude (as the company's operations were suspended), agreements between the two company permitted Exxon-Mobil to lift only a certain percentage of Chevron's crude. Once that percentage was exceeded, Nelson said that Exxon-Mobil could no longer lift Chevron's crude. The implications, Nelson argued, of this scenario would be tremendous, and may include a possible shut-down of production altogether. Nelson noted that the GOC, in discussions between Chevron and the National Petroleum Coordinator and the Minister of Finance, was aware of this scenario.

WALL